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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA

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DESP. NO.

TO : THE DEPARTMENT OF STATE

July 17, 1953
DATE

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Action Assigned to

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SUBJECT: Joint Weeka No. 29 for State, Army and Air Departments from S - Section I

Dated 7-12-53

Action Office Symbol 140

Name of Officer

A few hours after the employees of the American-owned Empresa Eléctrica power and light company went on strike for higher wages, the Guatemalan Government on July 16 issued a decree stating that it assumed temporary control over the company's public services pending settlement of the dispute and appointed Alfonso BAUER Paiz as its representative. The latter promptly signed a procedural memorandum with the management under which the company's officers will remain in control of operations subject to his approval. Service was restored after a ten-hour suspension.

With local attention focused on the strike, the anti-Communist resolution adopted by the other Central American republics at the Managua meeting of the Organization of Central American States (ODECA) had little impact in Guatemala. The few independent newspapers to comment thought it would be ineffective. For its part, the Guatemalan Government proceeded with the policy of naming extreme leftists to diplomatic posts by appointing Eliseo MARTINEZ Zelada, ex-Private Secretary to former President Arévalo and an open Communist sympathizer, as Ambassador to Bolivia and reportedly asking the Mexican Government for its agrément to the appointment of Roberto ALVARADO Fuentes, pro-Communist ex-President of Congress, as Ambassador to Mexico.

On the domestic scene, police arrested Sr. Luis VALLADARES y Aycinena, Secretary General of the Partido Unificación Anticomunista, the country's largest anti-Communist party, for alleged complicity in the abortive March 1953 uprising in Salamá.

AMERICAN INTERESTS

Electric Company Strike: On July 16 President Arbenz issued a decree putting the Guatemalan Government in temporary control of the public services of the U.S.-owned Empresa Eléctrica de Guatemala power company whose employees had gone

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on strike a few hours previously for higher wages and left Guatemala City, Antigua, Escuintla and smaller communities in the area without electric power. The decree cited the Constitution and Labor Code as its authority and appointed Alfonso Bauer Paiz, radical ex-Minister of Economy and an outspoken critic of foreign enterprises in Guatemala, as Government representative to assume control of the company "with the sole object of renewing and continuing service" and without prejudice to the rights of the company or the union, who might resort to the courts or other authorities for settlement of the wage dispute. Service was restored in the evening of July 14, some ten hours after the strike began and, under a memorandum signed by Bauer Paiz and the management, company officers will continue to direct operations under his supervision.

The brief strike came as a climax to the six week's dispute over the workers' demand for wage increases of $50 to $57 monthly and the company's insistence it could not afford any wage [illegible] unless it were permitted to raise rates (Weeks 28). The Labor Court on July 12 ruled that a strike would be legal but stipulated that power be maintained for establishments essential to public health and safety, such as hospitals, water pumping stations and police stations, as well as for certain large industrial consumers. The company told the authorities that it was technically impractical to service the essential establishments without automatically servicing the general public on the same circuits but the union, which had the alternative of striking or demanding compulsory arbitration, elected to strike. President Arbenz in his decree held the company responsible for the interruption of the essential services, stating that after the enactment of the Labor Code in 1947 it should have foreseen such a contingency and arranged its circuits accordingly.

Sr. Bauer Paiz as Government agent will remain in nominal control of the company until a settlement is reached by conciliation, arbitration or other means, there being no specific provision of the Labor Code or precedent to cover the situation that has now arisen. He has no authority to impose a settlement but it appears probable that with the Government in control of the company and with the Administration and Labor Courts having already shown their sympathy with the union, it will be difficult for the company to hold to its position that it cannot increase wages.

FOREIGN AFFAIRS

ODECA Meeting Has Faint Echo in Guatemala: With most of the week's public and editorial attention focused on the local power strike, very little attention was paid to the

anti-Communist "Managua Resolution" adopted by the Organization of Central American States (ODECA) without Guatemalan participation at its July 10-12 meeting in Nicaragua. Independent newspapers gave factual coverage to the meeting but the few that commented saw little prospect of effective action to curb Communism in this area. La Hora Dominical July 12 argued in substance that Communism was more likely to advance than retreat in Central America in view of the prospect of a Figueres victory in the Costa Rican presidential elections, the unstable relations between the wealthy and poor classes in El Salvador, and the soft policy pursued by President Gálvez towards leftists in Honduras. The leftist Nuestro Diario restricted its treatment to an article on the editorial page attributing the ODECA action to "fascist dictators" taking orders from the U.S. State Department. The Government's Diario de Centro América ignored the matter altogether.

Prospective Diplomatic Changes: The Foreign Office this week announced that it had received the agrément of the Bolivian Government to the appointment of Sr. Eliseo Martínez Zelada, former Private Secretary to ex-President Arevalo, as Guatemalan Ambassador to Bolivia, and the independent press reported on the basis of "extraofficial" Foreign Office information that the agrément of the Mexican Government had been requested to the appointment of Sr. Roberto Alvarado Fuentes, ex-President of Congress, as Guatemalan Ambassador to Mexico. Both men are at least Communist sympathizers and could be expected to establish further links with extremist and Communist circles in their posts of assignment.

Sr. Martínez Zelada was Chief of the Presidency's Publicity Department in 1945-48, and it was under his supervision that official Guatemalan publicity took on an increasing pro-Communist and anti-American coloration. Sr. Alvarado Fuentes, the shrewder and more influential of the two, is a leading Administration politician who has helped the Communists achieve their present eminence in the coalition of Administration parties and has identified himself with Communist causes by such acts as attending the 1951 Vienna "Peace" Congress while President of Congress.

DOMESTIC

Arrest of Anti-Communist Leader: On July 15 the police arrested Dr. Luis Valladares y Aycinena, Secretary General of the Partido Unificación Anticomunista (PUA), Guatemala's largest registered opposition party. Sr. Valladares' wife told reporters that the police said the arrest was on the basis of an old warrant issued in connection with her husband's alleged complicity with the abortive March 1953 uprising in

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town
the provincial/of Salamá (Weeka 17). She pointed out that if this were the only cause the police had had ample time in the past three months to take action. Sr. Valladares y Aycinena was recently reported in press despatches from Managua as having addressed an anti-Communist document to the ODECA meeting.

It will be recalled that, as earlier results of Government efforts to implicate the opposition in the Salamá affair, Dr. Carlos Cifuentes of the Comité Cívico Nacional, and the anti-Communist leader Juan Cordova Cerna fled the country and that Yurrita, the whole leadership of the anti-Communist University Students' Committee were imprisoned or went into exile.

Rudolf E. Schoenfeld

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